

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00 AF-10

IGA-02 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 EB-11

FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10

PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08 TAR-02

TRSE-00 PRS-01 SPC-03 OMB-01 DRC-01 /171 W

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC IMMEDIATE 6351

INFO AMEMBASSY BUENOS AIRES

C O N F I D E N T I A L SANTIAGO 5271

E.O. 11652: GDS

TAGS: EAGR, EFIN, CI

SUBJECT: CHILEAN REQUEST FOR CCC FINANCING OF SEED CORN

REF: (A) SANTIAGO 5183; (B) SANTIAGO 4803; (C) STATE 211173

1. AGATTACHE HAS BEEN IN CONTACT WITH POULTRY AND SWINE PRODUCERS IN CHILE AND IS CONVINCED THAT CHILEAN PLAN IMPORT 250,000 TONS COM BEFORE APRIL 30 IS REASONABLE. CHILE'S EXISTING STOCKS OF FEED GRAINS ARE BELIEVED TO BE LOW AND POULTRY INDUSTRY ALONE HAS SUFFICIENT CAPACITY TO USE PROJECTED COM IMPORTS. WITH FAVORABLE MAKRET PRICES FOR ALL TYPES MEAT IN CHILE, THERE IS SUFFICIENT ECONOMIC INCENTIVE FOR PRODUCTION EXPANSION EVEN AT CIF COM PRICE OF \$150 PER TON. FURTHER DETAILS ON SUPPLY AND DISTRIBUTION FEED GRAIN WILL BE FORWARDED IN TOFAS SERIES.

2. GOC DECISION TO PROMOTE PORK AND POULTRY PRODUCTION REFLECTS, WE ARE TOLD, ITS DESIRE TO IMPROVE PROTEIN CONTENT OF CHILEAN DIET. IT IS NOT POSSIBLE TO DO THIS IN SHORT TERM WITH BEEF BECASUE OF LONG PRODUCTION CYCLE AND INABILITY FINANCE LARGE-SCALE INVORTS. AS EVIDENCE OF GOC SERIOUSNESS IN THIS MATTER AND URGENCY WITH WHICH
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IT IS TREATING PROBLEM, WE ARE TOLD THAT IT WAS ONE OF MAIN TOPICS

ON AGENDA OF MINISTERIAL ECONOMIC COMMITTEE MEETING TODAY.

3. MINISTRY OF AGRICULTURE IS EXHORTING FARMERS TO INCREASE PRODUCTION

OF POULTRY AND PORK. GOC VIEWS ITS ROLE AS PROVIDING NECESSARY INPUTS LIKE FEED GRAIN AND LEAVING ACTUAL PRODUCTION TO WELL-ESTABLISHED PRIVATE FARMERS. AGATTACHE BELIEVES THERE WILL BE SIGNIFICANT PRODUCTION RESPONSE.

4. FONMINISTRY ECONOMIC ADVISER RECARDO CLARO REITERATED TO EMBASSY TODAY THAT GOC DOES NOT EXPECT REQUEST FURTHER CCC CREDIT BEFORE MID-1974. CLARO SAID FONMINISTER HUERTA CONSIDERS CORN REQUEST AS SUBSTITUTE FOR FOLLOW-UP ASSISTANCE IN WHEAT.

5. AS TO POSSIBILITIES FINANCING FROM OTHER SOURCES, GOC LOOKS UPON CCC CREDIT AS PART OF TOTAL FOREIGN EXCHANGE AVAILABILITY. WE UNDERSTAND IT IS FINANCING MOST OF WHEAT IMPORTS THROUGH END OF 1973 WITH COMMERCIAL BANK CREDITS. THEIR SWITCHING FROM WHEAT TO CORN ON CCC REQUEST MAY REFLECT EMBASSY'S STRESSING TO GOC DIFFICULTY OF JUSTIFYING CCC CREDIT FOR WHEAT UNDER PREVAILING MARKET CONDITIONS.

6. SOUTH AFRICAN AMBASSADOR IS RESIDENT BUENOS AIRES AND HAS NO STAFF PRESENTLY IN SANTIAGO. EMBASSY BUENOS AIRES MAY BE ABLE TO QUERY SOUTH AFRICANS ON STATUS OF OFFER OF CREDIT FOR CORN. IN ANY CASE, QUANTITY INVOLVED WOULD BE RELATIVELY SMALL IN RELATION TO CHILE'S TOTAL REQUIREMENT.

7. IN LIGHT OF ABOVE, I RECOMMEND FAVORABLE ACTION ON GOC REQUEST FOR \$28 MILLION CCC CREDIT. FAVORABLE ACTION CAN ALSO BE JUSTIFIED ON HUMANITARIAN GROUNDS IN IMPROVING NUTRITIONAL CONTENT OF CHILEAN DIET.

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